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2007 Annual Report Review

Permittee: Canyon Fuel Company, LLC
Mine Name: Dugout Canyon Mine
Permit Number: C/007/039
Date Report Received: May 27, 2008

Assigned Reviewer: Peter Hess, En Sci III *PHH by an* **Date Completed** July 15, 2008

Instructions: The assigned inspector will review the Annual report during the third quarter complete inspection and provide a written determination (finding) on how the mine has or has not met the permit requirements for reporting. If the report is deficient or remedial action is required to obtain compliance, this should be noted and the mine lead notified. A copy of this review will be filed with the Inspection Report. Should any of the sections require additional technical analysis, the inspector will notify the permit supervisor so that it can be scheduled during the 4th quarter.

SECTIONS TO REVIEW

SUBMITTED
YES NO NA

FINDINGS

Cover Sheet	X	<input type="checkbox"/>	<input type="checkbox"/>	
General Information	X	<input type="checkbox"/>	<input type="checkbox"/>	
Identification of other Permits	X	<input type="checkbox"/>	<input type="checkbox"/>	
Annual Impoundment Certification	X	<input type="checkbox"/>	<input type="checkbox"/>	
Annual Overburden, Spoil, Refuse, Floor, etc. Certified Report	X	<input type="checkbox"/>	<input type="checkbox"/>	

Annual Technical Requirements (Commitments)				
Climatological	X	<input type="checkbox"/>	<input type="checkbox"/>	SNOTEL report included (See Appendix "B").
Subsidence	X	<input type="checkbox"/>	<input type="checkbox"/>	
Vegetation monitoring	<input type="checkbox"/>	X	<input type="checkbox"/>	
Raptor Survey	X	<input type="checkbox"/>	<input type="checkbox"/>	2007 Survey reviewed, considered complete and on file in Salt Lake City DOGM Public Information Center
Soils Monitoring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Water Monitoring	X	<input type="checkbox"/>	<input type="checkbox"/>	Quarterly electronic submittals uploaded to DOGM permanent data base.
Geological/Geophysical	<input type="checkbox"/>	X	<input type="checkbox"/>	
Engineering	<input type="checkbox"/>	X	<input type="checkbox"/>	
Non-Coal Waste	<input type="checkbox"/>	X	<input type="checkbox"/>	All non-coal waste is hauled off site and disposed of in the Carbon County landfill.
Abandoned Underground Equipment	<input type="checkbox"/>	X	<input type="checkbox"/>	No machinery was abandoned in Mine during 2007.

AVS; Legal/ Financial Update	<input type="checkbox"/>	X	<input type="checkbox"/>	See General Chapter One information for all O & C, as submitted to the Utah Department of Commerce.
Mine Sequence Map	X	<input type="checkbox"/>	<input type="checkbox"/>	
Other Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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Utah Division of Oil, Gas and Mining / Price Field Office received a copy of the 2007 Annual Report for the Canyon Fuel Company, LLC / Dugout Canyon Mine on May 27, 2008. One copy of this document has been submitted to the Salt Lake City office of the UDOGM.

The information submitted has been done in accordance with the reporting format established in the Permittee's annual reports format. This includes general information for Permittee identification purposes, the identification of other permits (issued by Utah DEQ / DWQ and DAQ, and USDOL / MSHA (Mine identification numbers by coal seam, and refuse pile identification numbers)).

The document contains certified reports in Appendix A, which are annually required for the waste rock pile, and all impoundments associated with runoff treatment from the Dugout Canyon and Pace Canyon disturbed areas.

Refuse Disposal Area

The refuse pile is inspected four times annually, as required under R645-301-514.220. The inspections are conducted by the Permittee's Manager of Technical Services, Mr. David Spillman, who is a Utah registered professional engineer.

The 2007 Annual Report contains the third quarter of 2007 inspection report and certification, which is also intended to comply with the annual reporting requirements.

The Dugout Canyon waste rock disposal facility is permitted to accept coal processing waste from the Savage Coal Terminal via the washing of Dugout ROM product. The Dugout facility also receives coal mine waste directly from the Mine. Waste is temporarily stored on the ground where the ROM belt intercepts the belt transfer building. The facility is also permitted to accept coal mine waste from any of the Utah Canyon Fuel Company Mines. Waste material disposal from mines other than the Dugout Mine will be approved by the Division prior to the placement and disposal of mine waste from outside of the Dugout Canyon Mine permit area.

The 2007 annual waste rock pile inspection report and P.E. certification indicates that no signs of instability or other hazards were identified during the July 27 inspection.

Impoundment Inspections and Certifications

Appendix A also contains the annual impoundment inspections and P.E. certifications for the mine site sediment pond and the refuse pile sedimentation pond. The ponds are inspected quarterly by the Permittee; the third quarter 2007 inspection (conducted on July 27, 2007) is also the annual inspection. Neither pond was reported as having structural weakness or other types of instability. Cleaning of the mine site sediment pond was completed on June 1, 2007. The elevation of contained sediment in the refuse pile sedimentation pond was reported as below the 60% cleanout elevation,

(5894.7 feet). Mr. Dave Spillman certified the inspection reports for both ponds on August 2, 2007.

Appendix B, Reporting of Technical Data contains the following information;

- a) 2007 Dugout Canyon Subsidence Report Map
- b) Raptor Survey Data (Confidential)
- c) Snotel Report
- d) 2007 Bat Survey

Subsidence Monitoring

The 2007 Subsidence Report for the Dugout Canyon Mine contains a P.E. certified map of the Mine's workings, and a page of text describing the MRP required visual observations of the surface above the areas receiving secondary extraction. Canyon Fuel Company extracted approximately fifty percent of the Gilson seam Number 5 longwall panel in the last six months of 2007 (June 1 through December 31, 2007). This extraction area was monitored by one subsidence monitoring point (GIL5 located at N91676.21, E82381.36). Data collected and compiled by Ware Surveying and Engineering (as shown in the lower left corner of the submitted map) indicates that a surface deflection (- indicates settling) of 0.64 feet was measured. As determined from the mine map, the thickness of overburden at monitoring point GIL-5 is approximately 1,160 feet, (See Gilson seam mine map for 2007).

The page of text describes the areas where visual checks for subsidence were made by field personnel; these are

- a) the Pace Canyon fan portal facilities and the degasification wells, and
- b) the surface and ground water monitoring sites established within the MRP.

No surface irregularities or surface cracks were observed, with the exception of surface cracks which were observed at degasification well G-7 during June of 2006. These were repaired via an approved plan through the DOGM. The repairs were checked in June and October of 2007, with no additional cracking being observed.

Raptor Survey

The Raptor Survey data for 2007 information has been removed from the Price Field Office copy, and a sheet stating this has been inserted. The only copy of that information is in the Confidential area of the Coal Mine Permits area of the Public Information Center in the Salt Lake City DOGM headquarters. This data has already been reviewed as a SPECIAL PROJECT by a Division biologist and placed in the approved confidential binder in the DOGM public information center.

SNOTEL Report

The SNOTEL report submitted as part of Appendix B indicates that for the Price River-San Rafael basin, 5 of the 6 SNOTEL sites reporting data (as of Friday, February 29, 2008) reported an AVERAGE Accumulation of Precipitation at 121 %. The percent of snow water equivalent was reported at 108 percent. Further breakdown of the Price-San Rafael basin includes monitoring information for the six watershed which comprise it. This data is relevant to the Dugout mining and reclamation plan, as it is used to determine "wet" or "dry" years and is required to be submitted as part of the first quarter water monitoring data or in the Annual Report for the Dugout Canyon Mine permit area (beginning in 2001). The Division implemented the electronic water monitoring data base in There is no area dedicated to the submittal of SNOTEL data in that information base. Therefore the Permittee has submitted the current SNOTEL information as part of the 2007 Annual Report.

2007 Bat Survey

The last section of Appendix B contains the 2007 bat survey for the Northern Cliffs area of Pace Creek Canyon. The report was compiled by JBR Environmental Consultants and is dated June 11, 2007. This data has already been reviewed as a SPECIAL PROJECT by a Division biologist and placed in the approved confidential binder in the DOGM public information center.

Other Commitments Contained in 2007 DOGM Reporting FORMAT

BATS

The 2007 DOGM Annual Report reporting format contains on page 3, a commitment that requires the Permittee to submit a follow-up report on bats conducted in the area of the Pace Canyon fan portal facility. This has been done.

The commitment to conduct additional bat surveys in the Pace Canyon fan portal area **should be removed from the annual report format for 2008, and until the Division determines at a later date that new surveys are needed for the disturbance of new areas within this permit.**

GOSHAWKS

The Permittee is required to conduct raptor surveys annually, as discussed above. The Permittee is also required to contact the Division prior to any raptor nest protection efforts. The Permittee constructed numerous degasification well pads during 2007, and all wells which were identified as having Northern Saw Whet Owls or Northern Goshawks received calling surveys. This is documented in the stand alone document for degasification wells G-1 through G-17, (DOGM approval September 19, 2007). There is no reporting requirement established in the mining and reclamation plan which requires that this same information be submitted as part of the Annual Report. Therefore, the

commitment labeled **GOSHAWKS** is to be removed from all future Annual Report Commitment lists.

NORTHERN SAW WHET OWLS

The Permittee constructed numerous degasification well pads during 2007, and all wells which were identified as having Northern Saw Whet Owls or Northern Goshawks received calling surveys. This is documented in the stand alone document for degasification wells G-1 through G-17, (DOGM approval September 19, 2007). There is no reporting requirement established in the mining and reclamation plan which requires that this same information be submitted as part of the Annual Report. Therefore, the commitment labeled **NORTHERN SAW WHET OWLS** is to be removed from all future Annual Report Commitment lists.

SEDIMENT CONTROL

Page 4 of the 2007 Annual Report reporting format contains a commitment titled SEDIMENT CONTROL. Same contains a reference to Chapter 7, page 7-16 of the stand alone Degasification Wells G-1 to G-17, (DOGM approval September 19, 2007). The commitment is relative to not conducting construction during major precipitation events. **This is a requirement established in the referenced chapter and page of the mining and reclamation plan. There is no requirement to report information on these events in the Annual Report.**

This commitment is to be removed from the DOGM annual report format for 2008 and throughout the life of this Mines annual reporting requirements.

Appendix C

Appendix C of the 2007 Annual Report for the Dugout Canyon Mine contains a reference to the Division approved General Chapter One, Legal, Financial, Compliance and Related Information (Task ID # 2988, approved and incorporated on June 23, 2008). This information is identical to that which is forwarded to the Utah Department of Commerce annually.

Appendix D

Appendix D of the 2007 Annual Report for the Dugout Canyon Mine contains a map depicting the primary development and secondary long wall extraction areas in the Gilson Seam of the Dugout Canyon Mine. In accordance with the certification requirement of R645-301-512.110, this map is certified by Mr. David G. Spillman, P.E. (Utah certification # 151610), and Manager of Technical Services for the Dugout Canyon Mine (certification date May 23, 2008).

Primary development was conducted in the following areas;

- a) Pace North Mains to the 7th East headgate (gate road for GIL-8 panel).

- b) 5th East headgate of the and bleeders for the Gilson seam #7 longwall panel (GIL-7);
- c) 3rd East and 4th East head and tail gate entries, (Gilson #6 (GIL-6)) as well as bleeder entries and set up face entries.
- d) Gilson panel #5 (GIL-5) bleeder tap.

Secondary extraction longwall mining was conducted in the following areas;

- a) 4400 feet was extracted from the GIL-5 panel;
- b) 4400 feet of panel was extracted from the GIL-6 longwall panel.

Tonnage figures for the State and Federal leases are as follows;

- a) 2,593,571 tons from State lease ML-48435;
- b) 1,222,818 tons from Federal lease U-07064-027821.

The total annual production for 2007 was 3,816,389 tons.

Overburden isopachs are also depicted on this map of the Dugout Mine workings.

Appendix E also contains waste rock sample analyses for material which is disposed in the Dugout Canyon Mine waste rock facility. One sample is required for every 5,000 tons of material placed, (See MRP (Engineering section R645-301-536.200 Waste Emplacement, page 5-18, paragraph three)). All samples are to be analyzed for the parameters listed in Table 6 of the Division's topsoil and overburden guidelines.

The submittal analytical sheets have been reviewed by a Division soil scientist, and approved for insertion into the mining and reclamation plan, (Task ID # 2720, approved February 16, 2007).

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